



YEAR-END REPORT JANUARY-DECEMBER 2005

Net sales increased by 16 per cent to SEK 25 501 million (22 039)

Operating profit amounted to SEK 747 million (577)

Profit for the year amounted to SEK 855 million (389)

Profit per share amounted to SEK 10.06 (4.56)

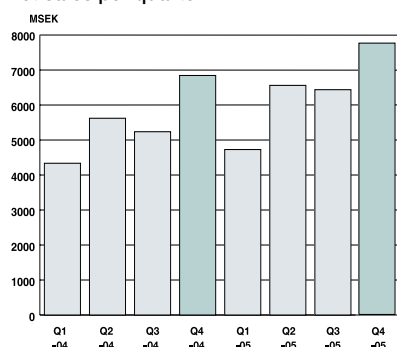
Orders received increased by 12 per cent to SEK 24 227 million (21 559)

Order backlog increased by 11 per cent to SEK 17 722 million (15 899)

Board proposes an increased dividend per share to SEK 3.00 (2.50)

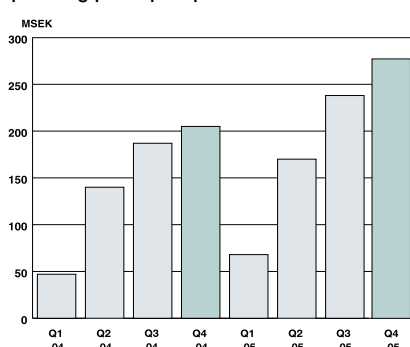
Year-end Report January - December 2005

Net sales per quarter



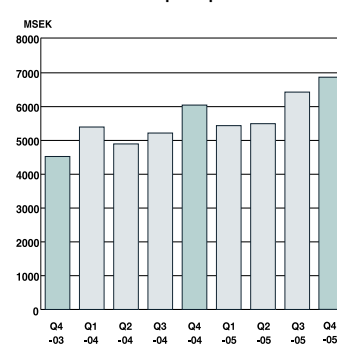
The Group's net sales for the year 2005 amounted to SEK 25 501 million, which was an increase of 16 per cent compared with the previous year. Adjusted for acquired and divested units, the increase in net sales amounted to 15 per cent.

Operating profit per quarter



The Group's operating profit for 2005 amounted to SEK 747 million, compared to SEK 577 million the previous year.

Orders received per quarter



Orders received for 2005 amounted to SEK 24 227 million, compared to SEK 21 559 million the previous year. Order backlog amounted at the end of the year to SEK 17 722 million, compared to SEK 15 899 million for 2004.

The Group

MSEK	Jan-Dec 2005	Jan-Dec 2004	Financial objectives
Net sales	25 501	22 039	
Operating profit	747	577	
Operating margin	2.9%	2.6%	
Profit after financial items	824	521	
Profit for the year	855	389	
Return on capital employed	17.1%	13.4%	>12%
Return on equity	28.7%	15.4%	>15%
Profit per share, SEK	10.06	4.56	
Equity/assets ratio	24.4%	23.1%	>25%

New contracts during the fourth quarter

We took on several projects during the fourth quarter, including:

- Peab has been contracted to build 129 new students' flats and a garage at Pilestredet Park in central Oslo. The customer is Studentsamskipnaden in Oslo and the contract is worth NOK 100 million.
- Peab has been contracted to carry out the building of Högskolan Väst (the West College) in Trollhättan. Having previously been divided between three locations at Uddevalla, Trollhättan and Vänersborg, college activities are now being unified in Trollhättan. The customer is Trollhättans Tomt AB and the contract is worth SEK 281 million.
- Peab has won the contract to construct a new ore dressing plant, KA3, and a raw material feed including a homogenizing store in Kiruna. The customer is LKAB and the contract is worth SEK 518 million.
- Peab has been contracted to build the Kolbotn Centre in the municipality of Oppegård outside Oslo. The contract includes the construction of a shopping centre with parking lot. 167 apartments are to be built above the shopping centre. The total contract amounts to NOK 456 million. The customer is Kolbotn Torg AS.

MD's comments

2005 was a strong year for the Nordic construction market. Low interest rates combined with a generally favourable economic climate are continuing to contribute to boosting demand in the building and construction sector. In the market for newly produced homes it is not just tenant-owner rights that are in demand but also self-contained homes and tenancy rights. In the civil engineering market, during the year we have focused on minor projects with lower risks while waiting for tenders for prioritized infrastructure projects to get underway during 2006. The demand for commercial space remains strong, whilst demand for newly constructed office space is relatively limited.

Peab is still in a favourable order situation. Orders received increased by 12 per cent compared to 2004, with the result that the group had an order backlog amounting to SEK 17.7 billion (15.9).

For the first time in Peab's history, the group sold for more than SEK 25 billion during one financial year. There was a 16 per cent increase in turnover compared to the previous year, which together with widening operating margins resulted in increased operating profit amounting to SEK 747 million (577).

Both the construction and civil engineering business area and the industry area enjoyed increased sales and improved margins. All units in Sweden are making good progress in a stable building and construction market. Market conditions in Norway and Finland are favourable with positive results everywhere except in the Helsinki region, which continued to burden our profits. We take a long-term approach to our business and while awaiting for a strengthened organization we consolidate the activity in the Helsinki region.

As 2005 ended with much going on in Peab's favour, it is now time to marshal new forces. The market in 2006 will continue favourable, but it



will also be subject to the risks of, for example, shortage of resources and increased costs. When general economic conditions are good there is a risk of a rise in materials and sub-contractor prices. At the same time, our customers are demanding value-for-money products. In order to deal with this, Peab must continue working on industrialised building, develop more efficient purchasing routines and, last but not least, by being the most attractive employer in the sector.

Mats Paulsson
Managing Director

Net sales and profit

In 2005, group net sales increased by 16 per cent to SEK 25 501 million (22 039). Adjusted for acquired and divested units the increase in net sales amounted to 15 per cent. Of the period's net sales SEK 3 727 million (3 004) related to sales and production outside Sweden.

Annual operating profits amounted to SEK 747 million, compared to SEK 577 million the previous year.

Participation in the profits of joint ventures are booked in accordance with the equity method. The year's share of profits in joint ventures before tax amounted to SEK 23 million (2). Peab recognises results from participations one quarter in arrears.

2005 profit after financial items amounted to SEK 824 million compared to SEK 521 million the previous year. Net financial expense amounted to SEK 77 million (-56), of which net interest expense amounted to SEK -69 million (-71). The effect of valuing financial instruments at fair value was included in net financial items to the tune of SEK 146 million (32), of which the result of the market valuation of convertible loans in Brinova amounted to SEK 151 million (31).

Annual profit amounted to SEK 855 million (389). A divestment of convertible promissory notes in Brinova will not result in any tax costs, as any gains can be offset against so-called share fold losses (aktiefållanförluster), which are not recognised in the balance sheet. The annual tax cost on profit after financial items excluding the income regarding the Brinova convertible, is approximately 27 per cent, excluding taxable one-off items. This corresponds to tax costs of SEK 180 million for 2005. In 2005 deferred tax revenue of SEK 211 million was recognised as a result of decisions taken during the period concerning previous years'

taxation, which has resulted in revaluation of deferred tax assets. Net tax revenue of SEK 31 million was entered for 2005 compared to a tax cost of SEK 132 million the previous year.

Financial position

The equity/assets ratio was 24.4 per cent, compared with 23.1 per cent the previous year. Net debt amounted to SEK 1 893 million, compared with SEK 1 666 million the previous year. The average interest rate on the loan portfolio amounted to 3.2 per cent (3.3).

The Group's disposable liquid funds amounted to SEK 4 101 million at the end of the period compared with SEK 3 635 million on 31 December 2004. Disposable liquid funds include commercial papers issued to a nominal value of SEK 494 million, compared to SEK 890 million on 31 December 2004.

At the end of the period, the Group's contingent liabilities excluding joint and several liability in trading and limited partnerships amounted to SEK 847 million compared to SEK 863 million as at 31 December 2004. This amount includes the SEK 167 million charge that the Swedish Competition Authority is demanding that Peab pay in the current asphalt cartel case. The Swedish Competition Authority, which in its plaint had demanded Peab pay SEK 227 million, reduced its demand to a total of SEK 167 million in January 2006. The main negotiations are planned to start in September 2006 and in the first instance a judgement is expected in 2007. Of other contingent liabilities, SEK 478 million relates to obligations to tenant-owners' cooperatives under construction compared to SEK 389 million at the end of 2004.

Investments

Net investment in tangible and intangible fixed assets amounted to SEK 594 million (346) during the period. The net change in shares and participations amounted to SEK 47 million (20). During the year SEK 185 million (499) net was invested in project- and development properties.

Cash flow

Annual cash flow before financing amounted to SEK 538 million (307). Cash flow from changes in working capital includes disposal of project- and development properties amounting to SEK 86 million (acquisition 403). When project- and development property is acquired through company acquisition, this is charged to cash flow from the investment activity similarly to acquisitions of subsidiaries.

Personnel convertible debentures

During June 2005 all staff of the group, excluding external Board of Directors and Managing Director, were offered the opportunity to acquire convertible debentures in Peab. The convertibles of nominal SEK 478.5 million were oversubscribed. A total of SEK 5.5 million convertible debentures were issued, each with a nominal value of SEK 87, to a total value of SEK 478.5 million. The difference between the discounted value and the nominal amount with deduction of deferred tax has been recognised in equity to the tune of SEK 19.3 million. The convertible debentures runs from 16 June 2005 to 15 June 2008 with a coupon of 2.69 per cent. The debentures may be converted to shares from 1 to 15 October 2007 and from 1 to 15 April 2008.

Personnel

At the end of the period the number of employees amounted to 11 165 compared to 10 459 the previous year.

Comments by business sectors

Construction and Civil Engineering

The Construction and Civil Engineering business sector comprises the Group's resources concerning Construction and Civil Engineering related services. Peab covers the whole of Sweden, while in Norway and Finland its activities are centred in the metropolitan areas.

Annual net sales for 2005 in the Construction and Civil Engineering area amounted to SEK 22 430 million, compared to SEK 19 269 million the previous year, equivalent to a rise of 16 per cent.

2005 operating profits amounted to SEK 498 million, compared to SEK 424 million the previous year. Both the building and civil engineering markets in Sweden are enjoying increased volumes and widening margins. The operating margin for the Swedish Construction and Civil Engineering business was 3.1 per cent in 2005 compared with 2.5 per cent for the whole of 2004. A successful residential building throughout the country has contributed to the improvement in profitability. Peab's nationwide Civil Engineering division has also, with a well considered risk profile, contributed to the improvement in profitability.

Norwegian and Finnish activities reported 2005 operating losses of SEK -88 million (12). Norwegian construction activities reported a small operating profit for the year. The overall negative operating profits are entirely attributable to the Finnish construction business in the Helsinki region. The operating result includes a goodwill write-down regarding Finnish activities of SEK -18 million (0).

Capital employed in Construction and Civil Engineering amounted to SEK 4 705 million (3 596). Return on capital employed in 2005 amounted to 13.0 per cent, compared to 14.1 per cent for the whole of 2004.

Orders received in 2005 amounted to SEK 24 227 million (21 559). The

order backlog at the end of the year amounted to SEK 17 722 million, compared to SEK 15 899 million the previous year, an increase of 11 per cent. Of the total order backlog 24 per cent (26) is expected to be produced in 2006. Construction projects accounted for 76 per cent (74) of the order backlog. Swedish operations accounted for 83 per cent (84) of the backlog. A good order backlog in a rising construction market is now enabling the Group to be more selective in its choice of future projects.

Order backlog and orders received Construction and Civil Engineering

MSEK	2005-12-31	2004-12-31	2003-12-31
Coming financial year	13 413	11 757	10 089
Next financial year	3 534	3 210	2 632
There after	775	932	869
Total order backlog	17 722	15 899	13 590
Orders received	24 227	21 559	18 339

Within its contracting operations, Peab is engaged in internally developed construction of housing, i.e. apartments and self-contained homes sold directly to the end customer. In 2005, Peab started construction of 2 230 (1 122) internally developed housing, of which 698 units (307) were started during the fourth quarter. As at 31 December 2005, Peab had 2 771 (1 731) internally developed housing under current construction, of which 69 per cent (71) were sold.

Under normal circumstances, Peab has an undertaking to purchase from the tenant-owners' cooperatives any tenant-owner rights that have not been sold six months after the final inspection. Repurchased tenant-owner rights are recognized in the balance sheet as project- and development properties. By the end of the year 16 tenant-owner rights had been repurchased for a book value of SEK 17 million, compared to 59 tenant-owner rights to a book value of SEK 115 million at the same time the previous year. The reduction is above all a result of sales of apartments in Hammarby Sjöstad in Stockholm.

As a result of the increased volume of internally developed projects, capital tied up in project- and development properties has increased. Peab's ambition is to commit a maximum of SEK 2 billion to project- and development properties. As at 31 December, the total holding of project- and development properties in Construction and Civil Engineering amounted to SEK 1 784 million (1 599). As at 31 December, Peab's project portfolio contained 206 projects (171) corresponding to specifically planned building rights over a total of about 1.5 million square metres (1.5). The majority of these building rights were in the growth regions of Malmö, Gothenburg, Stockholm, and Mälardalen.

Building rights

thousand sq.m	2005-12-31	2004-12-31	2003-12-31
Housing	1 004	1 018	985
Commercial premises	335	361	405
Industrial premises	172	161	163
Total	1 511	1 540	1 553
Number of projects	206	171	151

Industry

The Industry business sector comprises the Group's activities within ready-mixed concrete, concrete production and prefab, rock/gravel, transport, manufacture and laying of asphalt, plant and crane hire and

temporary electricity installations.

Net sales for Industry in 2005 amounted to SEK 4 520 million (4 130), which is an increase of 9 per cent. Operating profits amounted to SEK 380 million (308). Industry profits are seasonally stronger during the second half than during the first.

Swerock is experiencing good growth and widening margins with strong demand for ready-mixed concrete. The growth in volume with unchanged overhead costs has enhanced profitability.

Development work at the Peab prefab facilities in Katrineholm is continuing towards a joint group building concept, especially in the area of residential building. Capacity utilisation at the plant is now increasing as products begin to meet the high quality requirements placed. Production will be increased to include a third shift during spring 2006.

Peab Asfalt's market is characterised by strong demand but also by strain on prices and increased oil prices. The image of a stronger market grew more distinct during the second half, and this combined with continued work on enhancing production and plant is offering prospects of improved profitability.

Lambertsson's plant and crane hire continues to exploit capacity well despite the increase in hire capacity stemming from investments made in 2004. Those parts of Lambertsson which carry out work on temporary electricity installations and building and civil engineering sites possess niche competence, and are making good progress.

Capital employed in the Industry business sector amounted to SEK 2 060 million (1 873). Return on capital employed amounted to 19.0 per cent, compared to 16.2 per cent for 2004

Trust/Management

Trust/Management comprises the central companies, certain subsidiaries and joint ventures and other holdings. 2005 full-year operating profit amounted to SEK -131 million (-155). Common Group costs were recognised at a total of SEK -135 million (-112).

The construction market

2005 may be summarised as a strong year for the Swedish building and construction market. The demand strengthened during the second half, above all driven up by strong housing market. The conditions are deemed to be right in 2006 for continued growth in building investments. Rising interest rates may restrain development a little but given the large accumulated need for homes, the effect of interest rises on new homes is not deemed to be great. The proportion of tenancy rights among newly built homes is expected to increase. Demand for homes is also great in Norway and Finland, still concentrated around the metropolitan areas.

Public road and civil engineering investment in Sweden is expected to remain stable with relatively expansive investment plans during the next few years. A major part of the volume expected in 2006 refers to railway investments.

The conditions for the new building of office space remain unchanged with continued vacancies, above all in the areas in and around the major cities. On the other hand, reorganisation is creating a need for building improvement investment in existing stock. It has been assessed that investment in commercial space will increase in the forthcoming years as a consequence of the increased household consumption capacity. The conditions for the construction of publicly owned premises are also deemed to be good as a result of improved local government finances.

Swedish industry needs for new investment are still limited.

Important events during the period

Peab acquired the Hamnen 21:149 block in Malmö from Saab. The

property comprises the original inner Kockum district with an area of about 20 hectares. The underlying property acquisition value was approximately SEK 280 million. At a later stage Peab intends to gradually exploit the area.

Peab has acquired Steningehöjden in the Municipality of Sigtuna. The intention of the acquisition is to build an entirely new municipal district dimensioned for approximately 900 homes. The acquired area covers 46 hectares and the purchase price was SEK 130 million.

Jonas Svantesson, deputy MD of Peab, has retired from his position at Peab. Jonas was appointed in 2001 and has been mainly responsible for group HR matters.

Jan Johansson has been appointed deputy MD of Peab AB. Jan started to work for Peab in 1986 and is the head of Construction Division South.

Peab has acquired all the shares in Markarbeten i Värmland AB. The company which engages in civil engineering activities in central Sweden has 30 employees and had sales amounting to a little over SEK 60 million in 2004.

Peab has acquired the property Tygelsjö 76:1 in Klagshamn. The area comprises 550 hectares of land and is partly planned for housing development. The purchase price was SEK 72 million.

Peab has acquired building rights at Ulriksdalsfältet and part of the Järva 4:11 property in Frösunda. The seller is Solna Town Council and the purchase price amounted to approximately SEK 860 million, which will be paid in stages as the area is developed. The agreement is conditional on the approval of the Solna local council. The construction of 900 apartments and 500 town terraced houses is planned for Ulriksdal along with construction work for about 5 000 jobs. The total area comprised is 265 000 square metres.

The chairman of the board of directors of Peab, Ulf H Jansson, retired from the board of Peab on personal grounds. Ulf H Jansson was elected to Peab's board of directors in 1995, and has been chairman of the board since 2000.

Göran Grosskopf has been appointed as the new chairman of the board of Peab. Göran Grosskopf was elected onto the board of directors in 2004, and he is also chairman of the boards of InterKEA SA and Bergendahlgruppen AB, and is a member of the boards of AB Ratos, Possio AB and others.

Important events after the period

Peab has acquired Midroc Construction AB and its subsidiary Midroc Construction i Göteborg AB. As a result of the acquisition Peab will take over Midroc Construction's construction and civil engineering business. The company employs a staff of about 500 and had sales of approximately SEK 900 million in 2004.

Peab has rescheduled bilateral loan agreements totalling SEK 3 billion with seven banks. As a result of the rescheduling the loan agreements signed in September 2004 which ran until to September 2009, the loans will now mature in February 2013. The loans are not subject to amortization, and otherwise loan terms remain unaltered.

The Peab-share

Peab's B-share is listed on the O-list of the Stockholmsbörsen. As at 31 December 2005 the price of the Peab share was SEK 102, which is equivalent to an increase of 57 per cent on 2005. During the same period the Swedish stock market increased by 33 per cent according to Affärsvärlden's general index. During 2005, the Peab share traded at a maximum of SEK 104 and a minimum of SEK 61.

Holdings of own shares

At the start of 2005, Peab's holding of own shares amounted to 2 209 800 B-shares, corresponding to 2.5 per cent of the total number of shares. During the January-December period there were no share buybacks whilst 116 600 B-shares were divested as part of the purchase price of company acquisitions made.

Peab's share buyback mandate for its own shares allows among other things for the option of buying back and subsequently redeeming those B-shares required to offset any dilution caused by the conversion of convertible personnel debentures.

Number of outstanding shares, 31 December 2005

Number of registrated shares	87 195 944
Holding of own shares, 31 December 2004	-2 209 800
Number of outstanding shares, 31 December 2004	84 986 144
Disposal of own shares during the year	116 600
Number of outstanding shares, 31 December 2005	85 102 744

Accounting principles

The IAS regulation which was adopted by the EU during 2002 stipulates that from and including 2005 listed companies within the European Union must apply the IFRS international accounting principles to their group accounts. Peab's annual report for January-December 2005 has therefore been drawn up in accordance with the IFRS standards adopted by the EU and the interpretations adopted of current standards by the EU, IFRIC. The present report has been drawn up in accordance with IAS 34, Interim financial reporting and recommendation RR 31 of the Swedish Financial Accounting Standards Council, Interim financial reporting for groups.

Peab's annual report for the 2004 financial year contained a description of the accounting principles affected by the transition to the IFRS. For a description of the accounting principles Peab has applied in the January-December annual report for 2005 and the effects which the altered principles have had on the balance sheet as at 1 January 2004, see the section entitled "Transition to reporting in accordance with IFRS - International Financial Reporting Standard" in the 2004 annual report. Pages 9-11 of the present report contain a description of the affects of the new accounting principles compared with the January-December 2004 period.

IAS 39 - Financial instruments Recognition and Measurement, IFRS 4 Insurance contracts and IFRS 5, Non-current assets Held for Sale and Discontinued Operations, which must be applied from 1 January 2005 had no affect on Peab's opening equity as at 1 January 2005. As the rules of the Swedish Annual Accounts Act on valuation of financial instruments at fair value was applied to the annual accounts of 2004 and the effect on Peab's reporting was in accordance with the rules of IAS 39, opening equity for 2005 was not affected.

All comparative figures in this report have been recalculated in accordance with the new accounting principles.

In the present annual report, the following definitions of key ratios have been changed as a result of the transition to the IFRS:

Earnings per share

Profit for the period attributable to holders of participations in the parent company divided by the average number of outstanding shares during the period.

Equity per share

Equity attributable to holders of participations in the parent company divided by the number of outstanding shares at the end of the period.

Return on equity

Profit for the period attributable to holders of participations in the parent company divided by average equity attributable to holders of participations in the parent company.

Proposed dividend

A dividend of SEK 3.00 per share (2.50) is proposed for 2005. Calculated as a share of the group's reported profit after tax excluding the result of market valuation of the Brinova convertible at SEK 151 million and deferred tax receivables of SEK 211 million, the proposed dividend amounts to 52 per cent (49). Exclusive of the 2 209 800 B-shares owned by Peab AB, which do not entitle to dividend, the proposed dividend is equivalent to a total dividend distribution of SEK 255 million (212). The proposed dividend is equivalent to a yield of 2.8 per cent based on the closing price on 15 February 2006.

Annual General Meeting

Peab's 2006 AGM will be held on 17 May 2006 at 3 pm at Grevieparken in Grevie.

Nominating Committee

At the annual general meeting held on 12 May 2005, Malte Åkerström (chairman), Leif Franzon, Mats Paulsson och Ulf H Jansson were elected as members of the nominating committee.

Future financial information

- Interim Report January-March 2006:
17 May 2006
- Interim Report January-June 2006:
25 August 2006
- Interim Report January-September 2006:
24 November 2006
- Year-end Report 2006:
15 February 2007

Förslöv, 16 February 2006

Mats Paulsson
Managing Director

The information in this interim report has not been subject to closer inspection by the company's auditor.

Condensed income statement

The Group MSEK	Oct-Dec 2005	Oct-Dec 2004	Jan-Dec 2005	Jan-Dec 2004
Net sales	7 774	6 844	25 501	22 039
Production expenses	-7 139	-6 279	-23 402	-20 159
Gross profit	635	565	2 099	1 880
Selling and administrative expenses	-365	-376	-1 378	-1 332
Participation in profit of joint ventures	9	2	23	2
Result from participations in joint ventures sold	—	12	—	25
Result from participations in Group companies sold	0	0	3	2
Operating profit	279	203	747	577
Profit from financial items	-14	-1	77	-56
Profit after financial items	265	202	824	521
Tax	-72	-49	31	-132
Profit for the year	193	153	855	389
Profit attributable to shareholders' in Parent Company	193	151	856	387
Profit attributable to minority interest	0	2	-1	2
Key ratios				
Profit per share, SEK	2.27	1.78	10.06	4.56
- after complete conversion	2.03	1.78	9.74	4.56
Average number of outstanding shares, million	85.1	85.0	85.1	84.9
- after complete conversion	90.6	85.0	87.9	84.9
Return on capital employed			17.1%	13.4%
Return on equity			28.7%	15.4%

Condensed balance sheet

The Group MSEK	31 Dec 2005	31 Dec 2004
Assets		
Intangible assets	390	395
Tangible fixed assets	2 048	1 779
Interest-bearing long-term receivables	576	432
Financial fixed assets	280	241
Deferred tax assets	705	688
Project- and development properties	1 784	1 599
Inventories	345	226
Interest-bearing short-term receivables	171	175
Other current receivables	7 312	5 863
Short-term shareholdings	1	3
Liquid funds	130	85
Total assets	13 742	11 486
Shareholders' equity and liabilities		
Shareholders' equity	3 348	2 653
Interest-bearing long-term liabilities	2 176	1 035
Other long-term liabilities	128	99
Interest-bearing short-term liabilities	595	1 326
Other current liabilities	7 495	6 373
Total shareholders' equity and liabilities	13 742	11 486
Key ratios		
Capital employed	6 119	5 014
Equity/assets ratio	24.4%	23.1%
Net debt	1 893	1 666
Adjusted equity per share, SEK	39.34	30.84
- after complete conversion	36.96	30.84
Number of outstanding shares at end of period, million	85.1	85.0
- after complete conversion	90.6	85.0

Change in shareholders' equity

The Group MSEK	31 Dec 2005	31 Dec 2004
Shareholders' equity attributable to shareholders' in Parent Company		
Opening balance shareholders' equity, 1 January	2 620	2 196
Effect of changed accounting principle	—	209
Adjusted opening balance shareholders' equity, 1 January	2 620	2 405
Cash dividend	-212	-187
Disposal of own shares	9	10
Shareholders' equity convertible debentures	19	—
Exchange rate differences	56	5
Profit for the year	856	387
Closing balance shareholders' equity	3 348	2 620
Shareholders' equity attributable to minority interest		
Opening balance shareholders' equity, 1 January	33	63
Acquisition	-32	2
Disposal	—	-34
Profit for the year	-1	2
Closing balance shareholders' equity	0	33
Total closing balance shareholders' equity	3 348	2 653

Condensed cash flow statement

The Group MSEK	Oct-Dec 2005	Oct-Dec 2004	Jan-Dec 2005	Jan-Dec 2004
Cash flow from current operations before working capital changes	542	301	1 290	810
Cash flow from changes in working capital	-197	53	-21	-274
Cash flow from current operations	345	354	1 269	536
Acquisition of subsidiaries	-106	-149	-413	-246
Disposal of subsidiaries	0	26	7	37
Acquisition of fixed assets	-66	-32	-366	-280
Sales of fixed assets	19	37	41	260
Cash flow from investment operations	-153	-118	-731	-229
Cash flow before financing	192	236	538	307
Cash flow from financing operations	-250	-271	-492	-433
Cash flow for the period	-58	-35	46	-126
Cash at the beginning of the period	190	116	85	206
Exchange rate differences in cash	-2	4	-1	5
Cash at the end of the period	130	85	130	85

Net sales and operating profit per business area

MSEK	Net sales		Operating profit		Operating margin	
	Jan-Dec 2005	Jan-Dec 2004	Jan-Dec 2005	Jan-Dec 2004	Jan-Dec 2005	Jan-Dec 2004
Construction and Civil Engineering						
Sweden	18 920	16 494	586	412	3.1%	2.5%
Abroad	3 510	2 775	-88	12	-2.5%	0.4%
Total	22 430	19 269	498	424	2.2%	2.2%
Industry						
Swerock/Asphalt	3 870	3 550	247	185	6.4%	5.2%
Plant/Cranes	650	580	133	123	20.5%	21.2%
Total	4 520	4 130	380	308	8.4%	7.5%
Trust/Management	95	64	-131	-155		
Eliminations	-1 544	-1 424				
The Group	25 501	22 039	747	577	2.9%	2.6%

The Group per quarter

	Oct-Dec 2005	Jul-Sep 2005	Apr-Jun 2005	Jan-Mar 2005	Oct-Dec 2004	Jul-Sep 2004	Apr-Jun 2004	Jan-Mar 2004
MSEK								
Net sales	7 774	6 438	6 561	4 728	6 844	5 237	5 622	4 336
Production expenses	-7 139	-5 966	-5 990	-4 307	-6 279	-4 759	-5 157	-3 964
Gross profit	635	472	571	421	565	478	465	372
Selling and administrative expenses	-365	-251	-407	-355	-376	-297	-335	-324
Participations in profit of joint ventures	9	13	1	0	2	-2	4	-2
Result from participations in joint ventures sold	—	—	—	0	12	8	5	0
Result from participations in Group companies sold	0	0	3	0	0	0	0	2
Operating profit	279	234	168	66	203	187	139	48
Profit from financial items	-14	-58	169	-20	-1	-8	-18	-29
Profit after financial items	265	176	337	46	202	179	121	19
Tax	-72	-59	-38	200	-49	-47	-30	-6
Profit for the period	193	117	299	246	153	132	91	13
Profit attributable to shareholders' in Parent Company	193	117	299	247	151	128	91	17
Profit attributable to minority interest	0	0	0	-1	2	4	0	-4
Earnings per share, SEK	2.27	1.37	3.51	2.91	1.78	1.51	1.07	0.20
– after complete conversion	2.03	1.29	3.51	2.91	1.78	1.51	1.07	0.20
Average number of outstanding shares, million	85.1	85.1	85.0	85.0	85.0	84.9	84.9	84.8
– after complete conversion	90.6	90.6	85.2	85.0	85.0	84.9	84.9	84.8

Business area per quarter

	Oct-Dec 2005	Jul-Sep 2005	Apr-Jun 2005	Jan-Mar 2005	Oct-Dec 2004	Jul-Sep 2004	Apr-Jun 2004	Jan-Mar 2004
MSEK								
Net sales								
Construction and Civil Engineering	6 946	5 424	5 655	4 405	6 096	4 310	4 818	4 045
Industry	1 300	1 357	1 288	575	1 138	1 275	1 179	538
Trust/Management	23	26	27	19	15	19	15	15
Elimination	-495	-369	-409	-271	-405	-367	-390	-262
Total	7 774	6 438	6 561	4 728	6 844	5 237	5 622	4 336
Operating profit								
Construction and Civil Engineering	194	108	100	96	165	95	99	65
Industry	116	156	110	-2	72	146	86	4
Trust/Management	-31	-30	-42	-28	-34	-54	-46	-21
Total	279	234	168	66	203	187	139	48
Order situation Construction and Civil Engineering								
Orders received	6 863	6 430	5 496	5 438	6 046	5 219	4 897	5 397
Order backlog at the end of the period	17 722	17 862	16 793	16 945	15 899	15 956	15 030	14 936

Accounting in accordance with the IFRS

From 1 January 2005, consolidated accounts will be drawn up in accordance with the IFRS standards and interpretations adopted by the EU Commission. The first annual report to which the IFRS will apply will be that for the 2005 financial year.

Conversion of 2004 accounts has been made in accordance with IFRS 1, which regulates the way in which companies which are drawing up complete group reports in accordance with IFRS for the first time should deal with the transition to the new set of regulations. The principal rule is that all IFRS applying to 2005 should be applied retroactively. Comparative figures for 2004 have been recalculated in accordance with the standards that will apply on 31 December 2005. Peab's annual report for the 2004 financial year contained a description of the accounting principles which will be affected by the transition to the IFRS. For a description of the effects that the altered principles had on the balance sheet at 1 January 2004, see the section entitled "Transition to reporting in accordance with the IFRS - International Financial Reporting Standard" in the 2004 annual report.

Below is an account of how the new accounting principles affected comparison with the fourth quarter of 2004.

IFRS 3 – Business Combination

Goodwill is no longer amortised according to plan. It is compulsory to examine the need for possible writedowns at least once a year and in addition whenever the need for writedowns is indicated. Impairment loss must be carried out in those cases where the value in use or the net sale value is lower than the carrying amount.

In the case of acquisitions the minority participation must be calculated based on equity and deficit and surplus values of identifiable net assets.

IAS 12 – Income Taxes

The previous Swedish recommendations on so-called asset acquisitions in RR 9, Income taxes, will no longer apply after the introduction of the IFRS. This means that in the case of acquisitions involving deferred tax, this deferred tax must normally be valued at nominal tax rate. Therefore acquired deferred tax assets attributable to tax losses carry forward have been reassessed at nominal value, where previously they were recognized at acquisition value. Thus the requisitioning of deferred tax assets will be accounted as a tax cost at par.

IAS 17 – Leases

Leasing agreements applying mostly to the leasing of motorcars were previously classified under operational leasing. These leasing agreements have been reclassified as financial leasing agreements and entered as tangible fixed assets and interest-bearing liabilities, respectively.

IAS 11 – Construction Contracts

To adapt to IAS 11, Construction contracts, revenues from housing projects for sale will be recognised in profits based on actual percentage of sale based on binding agreements with the home buyer. Thus revenue is recognised as the percentage of completion multiplied by percentage of sale on each individual project. Previously, revenue was recognized based among other things on prior booking agreements. The regulations follow the Swedish Construction Confederation's supplement to the industry recommendation concerning "Percentage-

of-completion revenue recognition in housing projects for sale."

IAS 1 - Presentation of Financial Statements

Minority participations in annual profits are no longer recognized in the income statement. Results are instead specified in connection with the income statement divided between majority and minority interests.

IAS 27 – Consolidated and Separate Financial Statements

Minority interests are recognized under equity as a separate item.

IAS 31 - Interests in joint ventures

The Group's share in joint venture results after tax according to the equity method is reported on one line in the profit and loss account. The Group's share of tax was previously reported with the Group's tax.

IAS 39 - Financial Instruments

The recommendation enters into force from 2005 and is not retroactive. In the 2004 year-end accounts (but not in the quarterly reports) Peab applied the new Swedish Annual Accounts Act rules to valuation of financial instruments at fair value. As far as Peab is concerned this meant that the valuation rules in IAS 39 were already applied to year-end accounts for 2004 for all financial instruments, and consequently no recalculation of the 2005 opening balance was required. .

Comparison

The tables below show the effect of the new accounting rules on comparisons between the fourth quarter of 2004 and 2005. In certain cases the new rules have affected the definitions of certain key ratios, which have therefore been recalculated.

Income statement January-December 2004

MSEK	Previously principles Jan-Dec 2004	IFRS 3 Business Comb. (Goodwill)	IAS 12 Income Taxes	IAS 17 Leases	IAS 11 Construction Contracts	IAS 27 Consolidated Statements	Other	According to IFRS Jan-Dec 2004
Net sales	22 048				-9			22 039
Production expenses	-20 186	22		5				-20 159
Gross profit	1 862	22		5	-9			1 880
Selling and administrative expenses	-1 368	32					4	-1 332
Participations in profit of joint ventures	4						-2	2
Result from participations in joint ventures sold	25							25
Result from participations in Group companies sold	2							2
Operating profit	525	54		5	-9		2	577
Profit from financial items	-50			-6				-56
Profit after financial items	475	54		-1	-9		2	521
Tax	-41		-96		3		2	-132
Minority interests	-2					2		0
Profit for the year	432	54	-96	-1	-6	2	4	389
Profit attributable to shareholders' in Parent Company								387
Profit attributable to minority interest								2
Key ratios								
Earnings per share, SEK	5.09							4.56
Operating margin	2.4%							2.6%

Income statement October-December 2004

MSEK	Previously principles Oct-Dec 2004	IFRS 3 Business Comb. (Goodwill)	IAS 12 Income Taxes	IAS 17 Leases	IAS 11 Construction Contracts	IAS 27 Consolidated Statements	Other	According to IFRS Oct-Dec 2004
Net sales	6 880				-36			6 844
Production expenses	-6 286	6		1				-6 279
Gross profit	594	6		1	-36			565
Selling and administrative expenses	-387	7					4	-376
Participations in profit of joint ventures	4						-2	2
Result from participations in joint ventures sold	12							12
Result from participations in Group companies sold	0							0
Operating profit	223	13		1	-36		2	203
Profit from financial items	1			-2				-1
Profit after financial items	224	13		-1	-36		2	202
Tax	-6		-56		11		2	-49
Minority interests	-2					2		0
Profit for the year	216	13	-56	-1	-25	2	4	153
Profit attributable to shareholders' in Parent Company								151
Profit attributable to minority interest								2
Key ratios								
Earnings per share, SEK	1.78							1.78
Operating margin	3.2%							3.0%

Balance sheet 2004-12-31

MSEK	Previously principles 2004-12-31	IFRS 3 Business Comb. (Goodwill)	IAS 12 Income Taxes	IAS 17 Leases	IAS 11 Construction Contracts	IAS 27 Consolidated Statements	IFRS 3 Business Comb. (Minority)	According to IFRS 2004-12-31
Assets								
Intangible assets	341	54						395
Tangible fixed assets	1 614			165				1 779
Interest-bearing long-term receivables	432							432
Financial fixed assets	241							241
Deferred tax assets	433		200	1	41		13	688
Project- and development properties	1 605						-6	1 599
Inventories	226							226
Interest-bearing short-term receivables	175							175
Other current receivables	5 967				-104			5 863
Short-term shareholdings	3							3
Liquid funds	85							85
Total assets	11 122	54	200	166	-63	0	7	11 486
Shareholders' equity and liabilities								
Shareholders' equity	2 473	54	200	-3	-107	33	4	2 654
Minority interests	30					-33	3	0
Allocations ¹⁾	96							96
Interest-bearing long-term liabilities	927			100				1 027
Other long-term liabilities	10							10
Interest-bearing short-term liabilities	1 257			69				1 326
Other current liabilities	6 329				44			6 373
Total shareholders' equity and liabilities	11 122	54	200	166	-63	0	7	11 486
Key ratios								
Capital employed	4 775							5 014
Equity/assets ratio	22.5%							23.1%
Net debt	1 577							1 666
Equity per share, SEK	29.06							30.84

¹⁾ Provisions have ceased to constitute a separate category between equity and liabilities and are now divided between long-term and current liabilities.

Cash flow statement January-December 2004

MSEK	Previously principles Jan-Dec 2004	IFRS 3 Business Comb. (Goodwill)	IAS 17 Leases	IAS 11 Construction Contracts	IFRS 3 Business Comb. (Minority)	According to IFRS Jan-Dec 2004
Current operations						
Profit after financial items	475	54	-1	-9	4	523
Adjustments for non-cash items	319	-54	53		-4	314
Income tax paid	-27					-27
Cash flow from current operations before working capital changes	767	0	52	-9	0	810
Cash flow from changes in working capital						
Increase/decrease project- and development properties	-403					-403
Increase/decrease inventories	2					2
Increase/decrease current receivables	-412			20		-392
Increase/decrease current liabilities	530			-11		519
Cash flow from changes in working capital	-283			9		-274
Cash flow from current operations	484	0	52	0	0	536
Cash flow from investment operations	-229					-229
Cash flow before financing	255	0	52	0	0	307
Financing operations						
Borrowings	-194		-52			-246
Cash dividend paid	-187					-187
Cash flow from financing operations	-381		-52			-433
Cash flow for the period	-126	0	0	0	0	-126
Cash at the beginning of the period	206					206
Exchange rate differences in cash	5					5
Cash at end of period	85	0	0	0	0	85

List of shareholders, 31 December 2005

Shareholders	A-shares	B-shares	Total no of shares	Proportion of capital, %	Proportion of votes, %
Erik Paulsson with family and company	3 487 890	3 699 514	7 187 404	8.2%	22.0%
Mats Paulsson with company	2 787 117	4 655 590	7 442 707	8.5%	18.5%
Mohammed Al-Amoudi with company	0	18 854 865	18 854 865	21.6%	10.7%
Fredrik Paulsson with family and company	1 186 429	1 374 250	2 560 679	2.9%	7.5%
Stefan Paulsson with family and company	1 186 430	1 358 856	2 545 286	2.9%	7.5%
Svante Paulsson with family and company	491 688	728 880	1 220 568	1.4%	3.2%
Sara Karlsson with family and company	508 040	348 019	856 059	1.0%	3.1%
Karl-Axel Granlund with company	0	4 025 000	4 025 000	4.6%	2.3%
Robur funds	0	1 671 445	1 671 445	1.9%	1.0%
SHB/SPP funds	0	764 765	764 765	0.9%	0.4%
Länsförsäkringar funds	0	689 000	689 000	0.8%	0.4%
Other	158 108	37 126 858	37 284 966	42.9%	22.2%
Number of outstanding shares	9 805 702	75 297 042	85 102 744		
Peab AB	0	2 093 200	2 093 200	2.4%	1.2%
Number of registered shares	9 805 702	77 390 242	87 195 944	100.0%	100.0%

Source: SIS Ägarservice, VPC

